

INITIAL STATEMENT OF REASONS

SPECIFIC PURPOSE OF THE REGULATIONS

Section 15060. Standardized Account Code Structure

The purpose of the regulation is to define the current accounting and reporting format prescribed in the California School Accounting Manual (CSAM), as approved by the State Board of Education, for local educational agencies (LEAs) to use in recording their financial affairs. Education Code Section 41010 requires the accounting format to be in accordance with the definitions, instructions, and procedures published in the CSAM. Although not currently defined in regulations, the accounting format described in the CSAM is the standardized account code structure (SACS).

Necessity/Rationale

SACS was developed in response to legislation enacted in 1993 (Senate Bill 94, Chapter 237). According to SB 94, the legislature intended to develop a new statewide budgeting and accounting model that would accomplish the following: 1) enable the public to be more informed about public school revenues and expenditures, 2) eliminate duplicate reporting, 3) ensure accurate and timely reporting of statewide data to ensure accurate allocations of federal funds, 4) ensure that adequate accounting flexibility exists to support school site budgetary decision-making, 5) support financial integrity and stability, and 6) expand the fiscal information capability of the California Department of Education (CDE) without adding costly or time-consuming reporting requirements.

SACS is basically a detailed chart of accounts whereby most financial transactions are coded with six key elements: fund, resource, project year, goal, function and object. What this detailed chart of accounts means is that each expenditure transaction tells a complete story (such as, what categorical program paid for the expenditure, what the expenditure was made for (e.g., textbooks or supplies), who is going to benefit from the expenditure (e.g., regular education students or Regional Occupational Programs (ROP) students), and the activity being performed (e.g., instruction or transportation).

Assembly Bill 1578 (Chapter 299, Statutes of 1997) provided approximately \$17 million in incentive funding to encourage LEAs to convert their accounting systems to the SACS format, and all LEAs were given the opportunity to request SACS incentive funds. Once LEAs received the incentive funding, they had three years in which to fully implement SACS, or on a case by case basis they could request an extension if more time was needed. If LEAs do not fully implement SACS, they must return the incentive funding, and thus continue to report in the previously authorized format.

Currently, all LEAs have accepted SACS incentive funds, and by the end of fiscal year 2003-04, it is expected that all LEAs will have converted to SACS. There have been a few instances of LEAs being unable to implement the SACS system of accounting in their established timeframes, and they have received extensions to their implementation date.

Section 15070. Submission of Annual Financial Statements

The proposed regulation will fulfill the requirement in Education Code sections 1628 and 42100 that the forms for local educational agencies to report their annual statement of all receipts and expenditures for the preceding fiscal year be prescribed by the Superintendent of Public Instruction and adopted in regulations by the State Board of Education. The regulation will also describe the format for LEAs to submit their annual statements to CDE as the standardized account code structure, in accordance with their choice of that format through the provisions of AB 1578.

Since all LEAs have already chosen to accept the AB 1578 incentive funds to enable them to convert to the new structure, and since all LEAs are expected to have completed their conversion to the SACS

accounting system and will be reporting in the SACS format by the end of 2003-04, it is appropriate that this regulation be effective for the 2003-04 fiscal year.

Necessity/Rationale

Prior to the amendments to Education Code sections 1628 and 42100, all school districts, county offices of education, and joint powers agencies (JPAs) were required by sections 1628 and 42100 to submit annual financial data to the State on forms prescribed by the State Superintendent of Public Instruction. Assembly Bill 1994 (Chapter 1058, Statutes of 2002) amended sections 1628 and 42100 to require that the forms for reporting the annual financial data be adopted in regulations by the State Board of Education. The proposed regulations will formalize the existing SACS reporting format, as chosen by the LEAs through their acceptance of the provisions of AB 1578.

Section 15071. Alternative Form for Submission of Annual Financial Statements by Charter Schools

The purpose of this regulation is to provide an alternative financial report form to the standardized account code structure format described in Section 15060 for charter schools.

Necessity/Rationale

CDE developed an alternative form for those charters that prefer not to report in the standardized account code structure described in Section 15060. The alternative form will allow charter schools to comply with the requirement to report financial data, but in a format quite similar to the old J-200 format that is so familiar to local educational agencies. The alternative form is designed to provide very basic summary level detail. The data can be imported from charter systems or be manually input so that the data can be provided electronically to CDE, as are the data provided by all other school districts, county offices of education, and joint powers agencies.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

The State Board did not rely upon any other technical, theoretical, or empirical studies, reports, or documents in proposing the adoption of these regulations.

REASONABLE ALTERNATIVES TO THE REGULATIONS AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

The State Board was not presented with other alternatives to the adoption of these regulations.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The State Board has not identified any alternatives that would lessen any adverse impact on small business.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT ADVERSE ECONOMIC IMPACT ON ANY BUSINESS

The proposed regulations would not have a significant adverse economic impact on any business because they apply to reports from school districts, county offices of education, educational joint powers agencies, and charter schools. The proposed regulations do not impose additional workloads on small businesses or contractors funded by the Department.